



John E. Clark
Consultant, MMS/State Audit Coordination
Accounting and Information Management
Exploration Production Americas

Conoco Inc.
P. O. Box 1267
Ponca City, OK 74602-1267
(580) 767-5044

July 17, 2000

Mr. David S. Guzy
Chief, Rules and Procedures Staff
Minerals Management Service
Royalty Management Program
P. O. Box 25165, MS 3021
Denver, CO 80225-0165

Dear Mr. Guzy:

RE: Comments on Minerals Management Service
Proposed Rule regarding Amendments to Gas
Valuation Regulations for Indian Leases,
30 CFR 206, 65 FR 37504 (June 15, 2000)

Conoco Inc. ("Conoco") welcomes this opportunity to submit comments to the Minerals Management Service ("MMS") with respect to the above referenced Proposed Rule.

Conoco is an integrated oil and gas company with operations in over 40 countries worldwide. During the five-year period ending December 31, 1999, Conoco remitted royalty payments to the MMS in excess of \$360 million.

Conoco is opposed to the change being proposed. MMS states in the preamble ... "The purpose of 206.174(l) was to accelerate the audit schedule to provide more valuation certainty for both the lessee and the Indian lessor at an earlier date." MMS is correct in this statement, but they fail to point out that the earlier certainty in the valuation was what industry received during the Indian Gas Valuation Negotiated Rulemaking Committee deliberations to increase the major portion percentage from MMS historic method of determining major portion. If MMS and the Indian lessors now believe that the time limits are not acceptable, they should also change the major portion percentage from the arbitrary 75 percent back to MMS historic and legally accepted method of determining the major portion value.

We do agree with MMS when they state that the Indian lessors in Montana and North Dakota are being treated differently from the index based valuation. To correct this situation, Conoco would recommend that the references to Montana and North Dakota be deleted, thereby applying the time limits to all Indian lessors. If that recommendation is not acceptable, as an alternative, we would recommend that the major portion percentage be eliminated from the rule and for MMS to perform this calculation in their historic manner.

Mr. David S. Guzy

Page 2

July 17, 2000

Conoco appreciates the opportunity to comment on this proposed rule.

If you have any questions or would like to discuss this further, please contact me.

Sincerely,



John E. Clark

mdb

cc:

Mr. Bruce Connell, Houston, TX

Mr. D. E. Gingerich, Ponca City, OK